

Yunus defies paradigms to empower the poor

Micro-lending pioneer Muhammad Yunus is living proof of the old adage, “It is better to light one candle than to curse the darkness.”

Yunus, who earned his Ph.D. in economics at Vanderbilt, defied traditional lending paradigms to establish a bank designed to loan money to the poor in his native land of Bangladesh. His micro-lending model is now used in other impoverished lands.

Last January, the first recipient of Vanderbilt’s Distinguished Alumnus Award returned to campus to deliver the Georgescu-Roegen Lecture in economics to a standing-room only audience.

After graduation in 1970, Yunus returned to Bangladesh to teach economics at the university level. He planned to use his education to make a difference in the economy of the newly independent country. Faced with famine and pervasive poverty, however, he felt powerless.

“Things were a nightmare because the economy was going down fast,” he said. “Arrogance makes you think you can solve any problem, but you see how incapacitated you are in the face of real problems.”

Not sure what else to do, he began visiting villagers each day in hopes of doing a kind deed, if nothing else. “I thought I would go into a village and do something to help, even for a day,” he said. “That was my mission every day. I did a lot of little things.”

But what he was doing was not so little. As he listened to the stories of the street vendors, panhandlers and widows caught in a cycle of poverty, he began to see a solution after all.

One woman, who crafted bamboo stools, simply needed 25 cents to purchase bamboo each week. Because she had to borrow from a lender who demanded that she sell her wares to him at the price of his choice, she could

not get ahead. Yunus suspected that a small loan was enough to turn this woman’s life—and her business—around. He was right. When Yunus loaned her the money, she was able to sell her wares at a fair market price and pay him back right away. Soon, she was able to buy the bamboo without a loan.

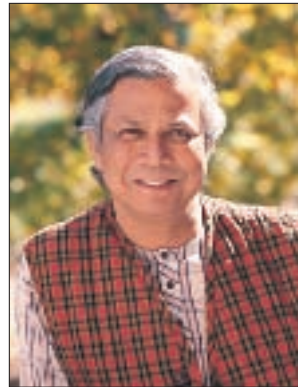


PHOTO: DOUGIE

Yunus then found 42 other poor people in the village who needed loans totaling a mere \$27. “I thought, if you can make so many people happy with so little money, why not do more of it?”

He soon convinced a bank to make small loans to villagers deemed uncreditworthy, but they agreed only if Yunus served as the guarantor. In time, thousands of low-income Bangladeshis were getting small business loans and defying the naysayers by repaying them. Yunus hoped the banks would see the success of his experiment and grant the loans without his guarantee.

He was wrong. The bank officials firmly held to their belief that the poor should not receive loans, particularly women. “It dawned on me, ‘Why am I trying to convince them? Who are they to decide?’” he said.

Thus, Grameen Bank was born (Grameen means “rural” in Bengali). The institution, which now has 1,326 branches, provides services in almost 48,000 villages in Bangladesh and has loaned \$4.57 billion to date. Ninety-nine percent of those loans are repaid, he said, despite the lack of collateral or signed loan documents. Grameen Bank gives priority to women, who make up 96 percent of their borrowers, because they have found that such loans have a much more positive impact on families.

Yunus’ detractors put forth that if loaning to the poor was risky, then loaning to the poorest of the poor was insanity. Yunus, of course, disagreed. He sought out even the street beggars and taught them to use small loans to transform their begging into enterprise through selling items.

Other innovative programs for the poor pioneered by Yunus include health insurance (“poverty and poor health go together”), home loans and a cell-phone-use sales business. Grameen Telecom provides a swift business for villagers, particularly women. They receive a cell phone and are trained to sell time on the phones to villagers who previously had no access to a telephone. Now these “telephone ladies” have savings accounts in Grameen Bank and are helping others to do the same.

“Poverty is caused by the system,” said Yunus. “It is caused by the policies and the conceptual frameworks we have created. But we are changing that. Access to credit should be accepted as a human right.”

—Joan Brasher, Vanderbilt Register



To the Editor:

On the rear cover of the Winter 2005 issue, the middle picture is incorrectly labeled as the 1980s. It is actually a picture of the 1970s. Ron Mayers is the Commodore, Becky Fricke is Ms. Commodore (or whatever she was called), and they both graduated in 1977.

—David Blum, BA’77

A&S Alumni New BOT members

Three Arts and Science alumni recently were elected to the Vanderbilt University Board of Trust:

Catherine Brescia Reynolds, BS’79, of McLean, Va., is a prominent philanthropist and pioneer in the development of privately funded student loan programs.

William M. Wilson, BS’79, is president of Nashville-based Cherokee Equity Corporation, a private management company, and also of Cherokee Properties Inc., a private real estate holding company. He is also a principal in Global Associates LLC, a Memphis-based business management firm.

Carrie Colvin, BA’05, of Birmingham, Ala, an economics and art history major, was elected as Young Alumni



Colvin



Wilson



Reynolds

Trustee. A member of various academic honor societies, Colvin represented Vanderbilt at the International Achievement Summit in Dublin, Ireland.

Reynolds is chairman and chief executive officer of the Catherine B. Reynolds Foundation and of EduCap Inc., which has provided more than \$5 billion in education loans to students and their families. *Business Week* named her one of the top 50 living philanthropists in America, the first self-made woman to make the list.

Wilson, who is serving as chair for the Class of 1970’s reunion this year, has many family and philanthropic ties to Vanderbilt. David K. Wilson Hall is named in honor of his father, an emeritus trustee who previously served as chair of the Board of Trust. Several endowed chairs and programs at Vanderbilt are named for members of his family.

Both Reynolds and Wilson are members of the College Cabinet, the donor society for the College of Arts and Science.

Where Are They Now?

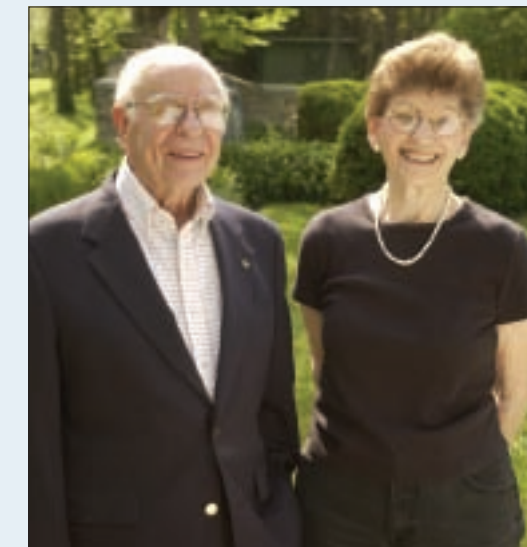
Until their retirement, Nancy and Harry Ransom were one of Vanderbilt’s power couples. Harry was professor of political science and Nancy, the founding director of the Margaret Cuninggim Women’s Center.

After graduating from Vanderbilt in 1943, Harry served in Patton’s Third Army in Europe during World War II. He earned M.A. and Ph.D. degrees in politics at Princeton University and taught political science at Princeton, Vassar and Michigan State, before joining the Vanderbilt faculty in 1961. He was one of the founders of the Defense Studies Program at Harvard, where he taught the Defense Policy Seminar with Henry Kissinger.

During his career, Harry was a consultant to the United States Senate Select Committee on Intelligence, a Fellow of the Woodrow Wilson International Center for Scholars, and a visiting professor at Leeds University in England. He is the author of three books and numerous essays and articles, mostly on secret intelligence.

A member of Phi Beta Kappa, Nancy received her B.A. degree from Vassar, and M.A.T. and Ed.D. degrees from Vanderbilt. She has been a lecturer in sociology and women’s studies at Vanderbilt, president of Cable and Planned Parenthood, a member of the Tennessee Commission on the Status of Women, and a consultant on establishing women’s centers and women’s studies programs at Emory and several other universities. Since her retirement in 1997, Nancy has served on the board of directors of Senior Citizens.

With three children scattered across the U.S., today the Ransoms enjoy traveling and being with their three grandchildren. Alumni can contact them by email at n.a.ransom@vanderbilt.edu.



DANIEL DUBOIS

If one of your professors made a lasting impression on you, let us know about her or him. We also welcome your short articles (300 words maximum) about interesting faculty members. Send your nominations or articles by e-mail to Cornerstone@vanderbilt.edu, or by U.S. mail to A&S Cornerstone, VU Station B 357703, Nashville, TN 37235.